

COARSE GRAINS: WORLD MARKETS AND TRADE

MONTHLY HIGHLIGHTS:

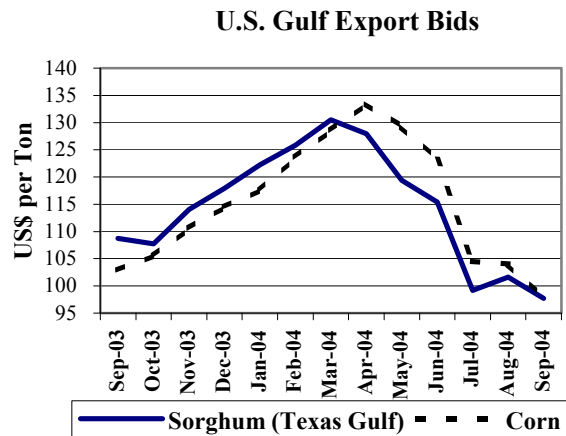
Corn—Squeezed by Feed Quality Wheat? As the record U.S. corn crop gets larger every month, so too does the world's supply of feed quality wheat. Canada's deteriorating wheat crop means that more wheat will be pushed into domestic feed, displacing demand for U.S. corn. Furthermore, while Canada's total wheat exports are expected to decline, there will be more feed quality wheat exported to South Korea, where it will likely replace U.S. corn. As a result, total U.S. corn exports are reduced by 500,000 tons to 52.5 million this month.

EU Barley—A Former Heavyweight Back In the Ring After more than a year without export subsidies, the EU Commission decided last week to reinstate targeted subsidies on October 14 for 1 million tons to the Middle East and North Africa regions. The timing of the newly announced export regulation could be an attempt to bolster domestic prices and thereby forestall large-scale sales into intervention stocks when they open November first. Although the level of subsidy remains to be seen, subsidized exports could mean heightened competition in these regions. Australia and Canada are both likely to lose some market share there, leaving Ukraine, Russia, and the EU as the main competitors.

PRICES:

Domestic: September export bids for #2 yellow corn averaged nearly \$98/MT, down \$6 from August. Prices continue to fall because of harvest time pressure and prospects for a massive crop.

September export bids for #2 yellow sorghum (Texas Gulf) averaged nearly \$98/MT, down nearly \$4 from August and \$11 below year-ago prices. Sorghum is about even with corn at this time in contrast to a \$6 premium last September. Average monthly corn export bids have dropped \$25 per ton since June but only \$18 for sorghum.



TRADE CHANGES IN 2004/2005

Selected Exporters

- **United States corn** down 500,000 tons to 52.5 million because of the slow pace of export sales to date and increased competition from feed-quality wheat.
- **Romania corn** up 200,000 tons to 1.0 million. The largest crop in 7 years is expected to lead to the highest exports in 21 years.
- **Australia barley** down 300,000 to 4.0 million because of increased domestic consumption and looming competition from the EU-25.
- **Canada barley** down 200,000 tons to 1.7 million as harvest delays raise questions about availability and quality.
- **EU-25 barley** up 500,000 tons to 2.3 million because of huge supplies and the Commission's reinstatement of export subsidies.

Selected Importers

- **Canada corn** down 200,000 tons to 2.3 million because of abundant supplies of feed quality wheat.
- **South Korea corn** down 200,000 tons to 8.9 million as feed quality wheat is priced competitively.
- **Malaysia corn** down 400,000 tons to 2.0 million, the lowest in 11 years, because of poultry production impacted by avian flu.
- **South Africa corn** down 200,000 tons to 300,000 as domestic supplies are ample.
- **Venezuela corn** up 150,000 tons to 800,000 tons as consumption continues to rebound.

TRADE CHANGES IN 2003/2004

Selected Exporters

- **Australia sorghum** is up 50,000 tons to 350,000 based on recent strong shipments to Japan.
- **China corn** down 300,000 tons to 7.7 million, the lowest in 4 years, because of a slowdown in shipments and uncompetitive prices without subsidies.

- **Canada oats** down 250,000 tons to 950,000 as severe harvesting delays have resulted in exports during the final months of the trade year being far below normal.

Selected Importers

- **South Korea corn** down 200,000 tons to 9.3 million because of slower than expected shipments.
- An increase in late-season shipments raises **Mexico sorghum** by 100,000 tons to 3.0 million.
- **United States oats** down 200,000 tons to 1.3 million, with minimal imports from Canada in recent months due to harvesting delays.